

TS2B: Collect and validate operators' financial and operational data

REGULATORY FUNCTION: TARIFF SETTING		TS2B
OBJECTIVE TS2 Compliance with approved tariffs and performance is monitored through financial and operational information received from operators	ACTION CARD TS2B <h1>COLLECT AND VALIDATE OPERATORS' FINANCIAL AND OPERATIONAL DATA</h1>	
COST: Medium FREQUENCY: Regular TARGET GROUPS: Regulators, service operators, consumer associations		
DESCRIPTION Collected financial information and operator accounts are systematically verified by regulators. They assess financial and operational performance of operators in two stages to obtain additional necessary data, first in the office and a second stage through local audits. The objective of the validation process is to ensure the accuracy of the information provided, and which can be then used for future tariff adjustments. Unless operators' accounts are validated, these risks putting operations on hold. Regulators must however, conduct this procedure transparently to ensure impartial and rigorous audits.		
EXPECTED OUTCOMES <ul style="list-style-type: none"> • Accurate financial and operational performance information is available at all times for regulatory purposes. • Consumers are informed about operators' performance on their request. • Only validated operators' accounts can be further operationally managed. 		
EXAMPLE: LESOTHO In Lesotho , the Electricity and Water Authority (LEWA) presents relevant financial information collected from the operator WASCO. In March 2016, for example, they presented the following information. <ul style="list-style-type: none"> • According to audited financial statements, WASCO reported an annual operating profit of M2,337,000 for the period, from total generated revenue of M218,609, 000. The main components of revenue were water and sewerage billing at M199,305,000 (91.17 percent) and new service connections at M15,012,000 (6.87 percent). • Expenditure for the period was M216,772,000. The main contributors to expenditure were labour costs (40.81 percent), power demands (9.15 percent), reticulation and plant maintenance (6.21 percent), and chemical usage (3.81 percent). • The profit realized during the 2015-16 financial year came against a backdrop of losses for the previous five years. In 2014-15, a loss of M3,160 million was recorded, higher than the previous year (M1,781 million). This was largely attributed to a substantial increase in expenditure. The company experienced its highest loss (M10,595 million) during the 2011-12 financial year. The improvement is due largely as a result of a substantial and steady growth of water and sewerage billing since 2010-11, coupled with improved cost management. 		
LINKS Lesotho example: http://www.lewa.org.ls/home/WASCO_Application_2017_18.pdf		
INTERNAL CAPACITIES NEEDED AND THE ROLE OF PARTNERS Abilities required to conduct this action include financial, management, and administrative skills. Validation exercises as an internal regulatory process would benefit from learning from technical regional exchanges with other regulators. Other possible partners could include national economy and research institutions. Regulators' staff must be trained on different financial and accountant skills either by related sector actors or development partners.		